INTERNATIONAL LABOUR ORGANIZATION

Sectoral Activities Department

Tourism employment in the Asia-Pacific Region 2003

by

Dirk Belau

belau@ilo.org

Tripartite Regional Meeting on Employment in the Tourism Industry for Asia and the Pacific

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Introduction

The following analysis is in part based on information the ILO received from participants to the Tripartite Regional Meeting on Employment in the Tourism Industry for Asia and the Pacific, Bangkok, 15 – 17 September 2003. Much of the data presented here are therefore younger than those used in the report which was prepared for the Meeting earlier in 2003 titled, *Employment and Human Resources in the Tourist Industry in Asia and the Pacific*.[1] Data for the years 2002 and 2003 contained in that report are, however, estimates and forecasts only. Consistent cross-country data on these years are still not available to date either. Therefore, the tables in this paper reflecting regional data for the GDP and employment in the travel and tourism industry are based on estimates (2002) and forecasts (2003) by the World Travel and Tourism Council (WTTC), a private organization. New insights into the developments in certain countries or sub-sectors in 2002 and 2003 could, however, at this stage be gained from a variety of sources such as dispersed press communications.

It can be concluded from recent information, that the tourism industry in the Asia-Pacific Region is likely to close the year 2003 without any significant growth. Adverse factors, in particular SARS, affecting the industry in the second quarter have impacted on the income of the industry so negatively that in spite of a strong rebound in the third quarter, the balance for the year will remain depressed.

Employment in the travel and tourism industry in Asia and the Pacific has been suffering stronger than the industry's income in recent years. It can be assumed that the reasons for the divergence between these two variables lie in the fact that employment is a high proportion of the variable costs of enterprises engaged in tourism and will therefore be reduced more than other items when income is lacking. This effect is stronger the longer the crisis lasts. The other reason is that the longer the crisis lasts, the more jobs get lost as employers hesitate as long as they can to separate their staff, especially as measures to increase productivity also take time to produce results. A certain growth of income is therefore needed to ensure a stable volume of employment.

As is shown below, the tourism industry in the Asia-Pacific Region is likely to close the year 2003 without any growth, as the impact of SARS and other factors, especially in the second quarter, will not be compensated by the kind of strong rebound which was noticed in July. The minimum growth of income needed to keep employment stable will therefore be missing and employment will drop by as much as 2.8 million, or 7.4 per cent as compared to the number of 38.625 million direct jobs estimated for 2002. (Table 1)

Direct employment in the Region's tourism industry had been decreasing all through the second half of the 1990s, but at a slower pace by about 2.7 per cent altogether between 1998 and 2001. Since the outset of the global tourism crisis, however, the tourism industry in the Asia-Pacific Region lost 12.2 per cent of the jobs it had in 2000, i.e. 5 million on about 41 million. In other words, every eighth worker employed in the industry in 2000 will have left by 2003, or many more will be living with reduced working hours and reduced income.

[1] Available on the Internet at the following address: *http://www.ilo.org/public/english/dialogue/sector/papers/tourism/wp204.pdf*

Table 1 GDP and Employment in the Travel and Tourism Industry of Asia and the Pacific (Estimates and Forecasts)

	Estimate			Forecast	
	2000	2001	2002	2003	Accumulated
GDP (US$ billion)	1'383	1'427	1'360	1'360	
Change (per cent)		3.2	-4.7	0.0	*-1.7*
GDP difference (US$ billion)		44	-67	0	-23
Jobs (thousand)	40'756	39'734	38'625	35'784	
Loss of jobs (per cent)		-2.5	-2.8	-7.4	*-12.2*
Jobs lost (thousand)		-1'022	-1'109	**-2'841**	**-4'972**

Source of basic data: World Travel and Tourism Council, *Country Reports 2003*

It should be noted that more than two thirds of the jobs lost recently were in the two large countries of the Region: China and India. Each of them is set to lose over one million jobs in 2003 alone (Table 7 below).

Developments in 2002 - 2003

The Asia-Pacific Region was recently exposed to several important factors making the performance of the tourism industry extraordinary difficult to assess. Whilst tourism in almost the whole world started suffering from a long lasting slump in September 2001, the Asia-Pacific Region was in addition and more specifically affected a year later with the bomb in Bali and much more so in the second quarter of 2003 with the outbreak of SARS.

In order to assess the impact of recent crisis factors on the tourism industry and, more specifically, on employment in the sector, certain performance indicators from the year 2002 need to be known, as they are the basis for comparison concerning the year 2003.

Statistics on international tourism in the year 2002 are available from the World Tourism Organization (WTO) only as preliminary data published in January 2003 for regions and sub-regions as shown in Table 2.

More data on 2002 and some on 2003 were obtained on a country-by-country basis from participants of the Meeting and other sources. They are presented further down. Recent data were also published by the Pacific Asia Tourism Association (PATA) in mid-September and could not be taken into account for this paper.

To put the year 2002 into perspective, it should be emphasized that international arrivals to the countries of the Asia-Pacific Region grew faster than the world average throughout the 1990's and up until 2002, the only exceptions being South-East Asia and Oceania, part of which had suffered from different adverse factors already in 2001.

Table 2 International tourist arrivals Asia and the Pacific (millions)

	1990	1995	2000	Average annual growth 2000/1990 (percent)	2001	Growth 2001/00 (percent)	2002*	Growth 2002/01 (percent)
North-East Asia	28.0	44.1	62.5	8.4	65.6	5	73.4	11.9
South-East Asia	21.5	29.2	37.0	5.6	40.1	8.3	41.7	3.9
Oceania	5.2	8.1	9.6	6.5	9.4	-2.1	9.6	1.1
South Asia	3.2	4.2	6.1	6.8	5.8	-4.5	5.9	2.0
Total	**57.7**	**85.6**	**115.3**	**7.2**	**121**	**5.0**	**130.6**	**7.9**
World	*456.8*	*551.7*	*696.1*	*4.3*	*692.9*	*-0.5*	*714.6*	*3.1*

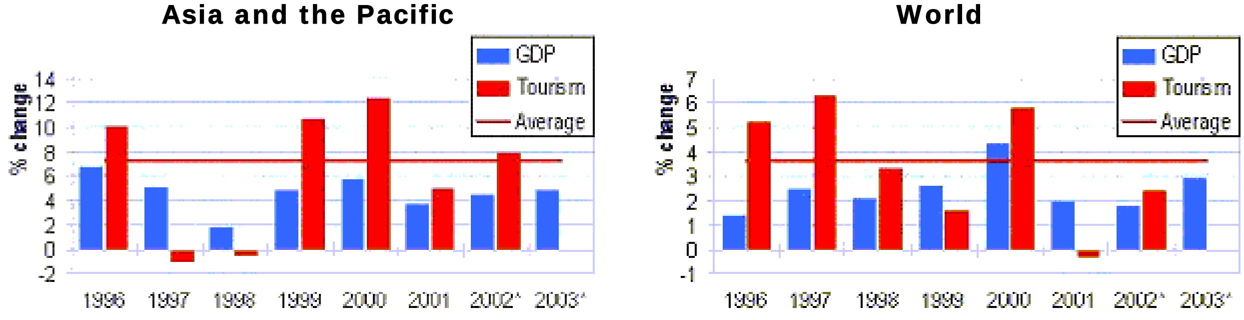
* Data as collected by WTO January 2003

Source: World Tourism Organization (WTO), January 2003. The following countries are comprised in the respective sub-regions: *North-East Asia*: China; Hong Kong, China; Japan; Democratic People's Republic of Korea; Republic of Korea; Macau, China; Mongolia; Taiwan, China; *South-East Asia*: Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Myanmar; Philippines; Singapore; Thailand, Viet Nam; *Oceania*: Australasia (Australia; New Zealand); Melanesia; Micronesia; Polynesia; *South Asia*: Afghanistan; Bangladesh; Bhutan; India; Iran; Maldives; Nepal; Pakistan; Sri Lanka.

It should be noted that the high growth rates of tourist arrivals in the Region in recent years even exceed the high GDP growth rates which were achieved in the late 1990's in the process of recovering from the financial crisis of 1997-98 (Figure 1).

Chart 1: Asia and the Pacific and the World: Growth of GDP and international tourist arrivals

Asia and the Pacific **World**



Source: World Tourism Organization, 2003

In spite of the financial crisis 1997-98, international tourism in Asia and the Pacific kept pace with the global development over the second half of the last decade and until 2002, presenting the same average growth rates over the period.

Unfortunately, no data on international tourism receipts have been published for 2002 so far. Table 4 of the Report, which was prepared by the ILO for this Meeting earlier, shows international tourism receipts up to 2001. An extract of the Table is reproduced in Table 3 below presenting information on the ten countries with the highest income from international tourism. They together earned almost 4/5 (80 per cent) of the total income earned in the Region.

Table 3 shows that the income from international tourism in the Asia-Pacific Region kept growing in 2001, although by only 0.5 per cent, against a worldwide slump of 2.8 per cent. Looking at the whole period between 1995 and 2001, growth of international tourism income was already rather modest in the Region due to the 1997-98 crisis (12.8 per cent in six years). Again, this growth largely corresponds to the growth of foreign tourism income worldwide (14.4 per cent). The slight difference is due to the fact that the Asia-Pacific Region started from a high level in 1995. The Region also reestablished its old market share (18.8 per cent vs. 19.1) and can be expected to reach one fifth of the world tourism market soon.

As the growth of income is lower than the growth of arrival numbers, tourists must have spent less money. This trend has been observed since 2001 worldwide. For the Asia-Pacific Region, the trend is explained by a strong increase of intra-regional tourism replacing long haul tourist arrivals. Generally speaking, intra-regional tourism entails lower tourist expenditures per arrival (with the exception of Japanese tourists) than arrivals from Europe and the USA.

Increasingly, domestic tourism is also gaining the attention of tourism policy bodies in the Region. In Australia, tourism from abroad accounts for only 25 per cent of tourism demand and has been decreasing for several years. Likewise, it is known that after the bombing in Bali and the virtually total departure of foreign tourists, Indonesian tourists from other parts of the country as well as from neighboring countries came and benefited from special packages offered by hotels for the sake of reducing losses.

Table 3 International tourist receipts in Asia-Pacific countries and areas
(US$ million)

	1995	1998	1999	2000	Change 2000/1995 (percent)	2001	Change 2001/00 (percent)	Change 2001/1995 (percent)
Australia	7'857	7'335	8'027	8'452	7.6	7'625	-9.8	-3
China	8'733	12'602	14'099	16'224	85.8	17'792	9.7	103.7
Hong Kong, China	9'604	7'496	7'210	7'886	-17.9	8'241	4.5	-14.2
India	2'583	2'948	3'009	3'168	22.6	3'042	-4	17.8
Indonesia	5'229	4'331	4'710	5'749	9.9	5'411	-5.9	3.5
Japan	3'226	3'742	3'428	3'373	4.6	3'301	-2.1	2.3
New Zealand	1'488	1'441	1'737	2'062	38.6	2'252	9.2	51.3
Republic of Korea	5'587	6'865	6'802	6'811	21.9	6'283	-7.8	12.5
Macau, China	3'233	2'648	2'598	3'205	-0.9	3'745	16.8	15.8
Taiwan, China	3'286	3'372	3'571	3'738	13.8	3'991	6.8	21.5
Thailand	7'664	5'934	6'734	7'146	-6.8	6'731	-5.8	-12.2
Total selected countries	60'485	60'712	63'924	69'814	15.4	70'415	1.1	18.1
Total Asia-Pacific	77'309	74'693	79'533	86'768	12.2	87'183	0.5	12.8
World	405'250	443'982	457'216	477'011	17.7	463'477	-2.8	14.4
Asia-Pacific share (per cent)	19.1	16.8	17.4	18.2		18.8		

Source: World Tourism Organization

An important feature of tourism development in the Asia-Pacific Region is the diversity of how the countries performed in recent years, in particular, how they were exposed to different adverse factors such as natural disasters, political unrest, or terrorist activity, and also the relationship between tourism growth and the dynamics of a country's economy as a whole. Table 3 shows that the growth rates were quite different between some of the countries, for 2001 as for the whole second half of the 1990s. The growth achieved in the six years between 1995 and 2001 varies between 104 per cent (China) and minus 12 per cent (Thailand) or minus 14 per cent (Hong Kong, China). The developments in the different countries can therefore hardly be explained by one common rule. The diversity even increases if the development in 2001 is looked at separately. The year clearly affected different countries in different ways.

Another important feature of the Region is that China as a single country weighs heavily in all statistics. In the case of international income from tourism, no less than one fifth is received by China alone. In other respects, such as employment in the tourism sector, China and India each represent roughly one third of the Region's total.

Country data provided by participants of the Meeting

Participants to the ILO Tripartite Regional Meeting on Employment in the Tourism Industry for Asia and the Pacific, Bangkok, 15-17 September 2003, were asked to provide information on their respective countries. Selected aspects of that information are presented below.

Cambodia

The tourism sector generates about US$200 million per year in income and employs about 100,000 persons. Tourism has thus been contributing to the country's economic development and poverty reduction significantly. Estimates suggest that passenger arrivals to Cambodia continued to rise in 2001 by about 30 per cent. The increase is thought to be the result of much improved stability, safety and security in the country, as well as the ''open skies'' policy in air transport since 1998.

China

The total income of all tourism in 2002 was 556.6 billion RMB, 11.43 per cent up from the previous year. The growth rate was more than 3 percentage points higher than that of overall national economic growth rate. The international tourist arrivals in 2002 were 97.91 million, 9.99 per cent up from the previous year. Tourists originating from inside China came up to 878 million or 12.01 per cent more than in the year before.

Outbound tourists from China were 16.6 million in 2002, which represents a very high growth rate of 36.84 per cent.

The first two months in 2003 also showed a positive trend as the income of foreign currency from tourism reached 3.2 billion USD spent by the 15.86 million border-crossing tourists received. The respective growth rates as compared to the first two months of 2002 were as high as 14 per cent regarding income and 9 per cent for arrivals. They compare favorably to the annual growth rates for the income as mentioned above, although a distorting seasonal factor may be involved in this comparison.

However, because of SARS, Chinese tourist activities stagnated quickly. It is estimated that in the first half of the year, China’s international tourism income will decrease 4 billion USD, which is half of the international tourist income that could be expected. The national income from tourism will decrease 84 billion RMB, representing 27 per cent of the total national income from tourism.

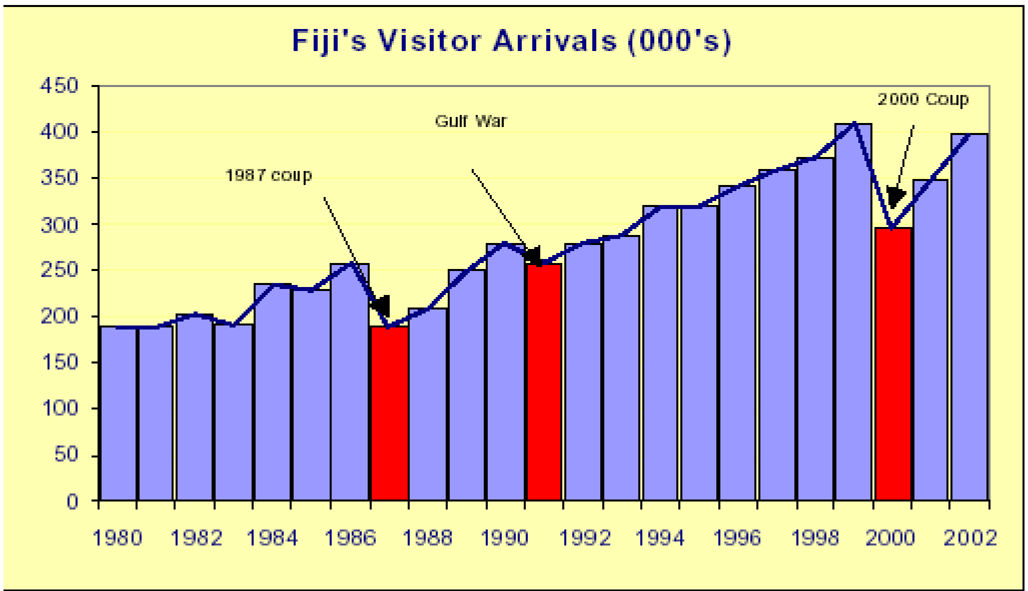
The number of workers directly employed in tourism increased at a yearly growth rate of 22 per cent to almost 12 fold over 13 years, from 520,000 in 1989 to 5.98 million in 2001. Workers employed with indirect links to tourism numbered 29.8 million in 2001. It is forecasted that in 2005, 8 million will be employed in tourism directly including over 2 million newcomers representing 30 per cent growth over four years, whereas the number of indirect tourism jobs will increase by 12.5 million, or 43 per cent over four years.

Fiji

The tourism industry in Fiji directly contributed to the country's GDP by as much as 25 per cent in 2001 and provided formal employment, directly and indirectly, to 45,000 people in a total population of 850,000. That year, the industry had strongly recovered from a crisis it suffered in 2000. The tourism industry has also outgrown sugar as the largest and fastest growing earner of foreign exchange, with a higher income multiplier effect contributing significantly to the national economy. Since 1999 international tourism earnings have been generating one third of gross foreign exchange earnings, representing over 550 USD million in 2002.

Chart 2 shows that the development of international visitor arrivals was rather atypical in recent years, as the number was not affected by the Asian Crisis of 1997-98 nor by the events of 2001, but by political instability in 2000, which was a peak year for most other countries in the world. Roughly half of all visitors come from Australia, New Zealand and neighbouring Pacific island states, although Fiji is making efforts to further diversify its tourism markets to increase the shares in Asia, Europe, and the USA.

Chart 2 Fiji's visitor arrivals (thousand)



Source: Fiji Hotel Association

Tourism significantly contributed to the expansion of the economy in 2001 and 2002, the expansion in the economy was primarily driven by wholesale retail trade, hotels and restaurant sector. The rehabilitation action by the tourism industry led to quick recovery of the visitor numbers into Fiji.

Growth forecasts for the economy in 2003 were recently revised downwards to 5.1 per cent from 5.7 per cent, prompted by a combination of both local and international factors such as a cyclone affecting the local agriculture and events which affected the economies elsewhere, but particularly in Asia and the Pacific. Still, the main expectations for 2003 are connected to the tourism industry, which remains promising for the rest of the year.

Republic of Korea

In the Republic of Korea, tourism produced about 4 per cent of GDP in 2001 and employed 13 per cent of all workers. The participation of women in the labour force of the tourism industry is 60 per cent, higher than in most countries. Over 20 per cent of all female workers in the country are employed in the tourism industry, but only 8 per cent of all male workers are employed in this sector. Both figures include indirect employment effects.

The labour intensity or employment creating capacity of the tourism industry is the second highest among 23 industries. The investment needed to create one additional post in the tourism industry amounts to only half of the average investment needed in the whole economy.

Malaysia

Since government policies emphasized tourism in 1999, international arrivals grew at extremely high, albeit decreasing rates such as 42.9 per cent in 1999, 28.9 per cent in 2000, and 25.0 per cent in 2001. In 2002, arrivals grew less, but tourism was the second largest earner of foreign exchange still recording growth of 6.4 per cent over 2001. Domestic tourism in turn grew faster making tourism in general grow at a rate of 8.9 per cent in 2002.

Nepal

In Nepal, tourism contributed to foreign exchange earnings by as much as 16.5 per cent in the fiscal year 2000-2001. The year before, the contribution was 2.9 percentage points lower, due to political instability.

The Tourism Board estimates that the tourism sector used to provide employment to 300,000 people. However, due to the recession experienced by the tourism sector recently, this figure has dropped to around 175,000. The Tenth Development Plan aims at creating direct employment opportunities for an additional 100,000 people and indirect employment opportunities for 125,000 people in the sector per annum.

Pakistan

Tourism in Pakistan is rather supply driven, i.e. determined by factors other than the market, as more than half of foreign visitors come to visit relatives and friends. Genuine leisure tourism is attracted mostly by the mountainous areas in the North of the country, where the development of an infrastructure is rather incipient. Some 432,200 overseas tourists received by Pakistan only spent 76.4 million.

Employment in Pakistan's hospitality sector in 1997-98 has been estimated by the Federal Bureau of Statistics at 0.9 per cent of the workforce or 320,000 persons employed.

The Philippines

As the Philippines was only marginally affected by the negative developments in Asia-Pacific tourism such as the Bali bombing or SARS, there was a steady increase in the number of employed persons in the hotel and restaurants sector from 2002 to 2003 (April) as shown in Table 4.

Table 4 Employed Persons in the Philippines (Thousands)

	April 2003	*April 2002*	*Growth (per cent)*
Total	30,186	30,418	0.8
Hotels and restaurants	680	709	4.3
Share	2.25%	2.33%	

Source: Philippines, National Statistics Office (NSO)

For every one direct full-time job created in the sector, an equivalent of 1.5 indirect jobs was generated.

Sri Lanka

The best year for international tourist receipts for Sri Lanka was 1999, with 274 USD million. Political unrest and an attack on the capital's main airport in 2001 reduced international tourism income by 23 per cent that year, but there was a strong and swift recovery in 2002 (248 USD million).

Employment in tourism performed even better as can be seen in Table 5

Table 5 Sri Lanka: Tourism employment and annual growth

	1978	1999	2000	%	2001	%	2002	%
Total	36,199	87,744	91,063	3.8	80,904	-11.2	87,600	8.3
Direct	15,404	36,560	37,943		33,710		36,500	
Indirect	20,795	51,184	53,120		47,194		51,102	

Source: Employers' Federation of Ceylon

The crisis was marked by many western countries issuing travel advisories to their citizens against travelling to Sri Lanka and the consequent imposition of war risk premiums on aircraft and ships entering the country. Hotel occupancy dropped drastically. The inevitable loss of employment especially hit casual and seasonal workers, where establishments opted to down size or stop operations temporarily. The recovery of foreign tourist arrivals also brought an increase in visitors from South and East Asia.

Viet Nam

International tourism to Viet Nam has been growing rapidly at an average rate of over 20 per cent annually and generated 3-5 per cent of the country's GDP in 2001 (GSO, 2001). The tourism industry creates employment especially for a large group of the less educated population in rural regions with mainly natural tourism resources. The share of tourism in non-agricultural employment reached 3.4 per cent in 1999.

The recent government policy to stimulate the creation of small enterprises is expected to boost employment in the services sectors, including tourism. It is estimated that total employment in Viet Nam will double between 2000 and 2010 from 13 million to 26 million jobs and that the share of the tourism industry will double from 6.5 to 13 per cent (direct plus indirect employment) with a constant proportion of one direct job generating two indirect jobs.

More data on 2002 and 2003

Regional

More data for the year 2002 and the first two quarters of 2003 can at present be obtained only from individual sources such as hotel or air line enterprises or statements made in public by representatives of relevant institutions, including governments, industry bodies, etc. Often, they are only estimates and are based on undisclosed methodologies.

The crisis period started in the fourth quarter 2001 and came to an end with the effective containment of SARS late June 2003. The recent bombing in Jakarta seems not to have had an impact on tourism with noticeable dimensions.

Since late 2001, a series of shocks that has affected tourism worldwide or in one or several countries have occurred in a way in which their individual impact would be difficult to distinguish. They rather reinforced each other and created a general climate adverse to travelling and tourism. The effects of this changing climate still continue to be felt at present to the extent that the question has been raised whether a structural shift in tourism has come about. The consumer behaviour on the tourism markets has changed towards cheaper travelling, shorter stays and shorter distances covered.

The Asia-Pacific Region was less affected by the events of 11 September than were other regions, especially on both sides of the North Atlantic, although long haul tourism suffered on a global scale. The Asia-Pacific region was, however, particularly affected by the bombing in Bali in October 2002 and, in the second quarter of 2003, by SARS.

In May 2003[2] after the immediate impact of SARS became known, the ILO estimated that tourism income had dropped by roughly 30 per cent in the countries that were directly affected by SARS and 15 per cent in the remaining countries of the Asia-Pacific Region. The estimate has largely been confirmed since by a number of partial indicators.

Retrospectively, the harm done to travel and tourism in the Asia and Pacific Region was assessed in terms of losses of up to 40 and 50 per cent, sometimes more, for arrivals and hotel occupancy rates in April and May as compared to the same months a year earlier.

IATA reported a low of 50 per cent passenger load in general air traffic with Asia at the height of the epidemic. Preliminary June traffic numbers still showed a 35.8 per cent drop for the Asia-Pacific region from a year earlier. Worldwide, traffic was down only 11.8 per cent.

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[2] *New Threats to Employment in the Travel and Tourism Industry – 2003*; by Dirk Belau, ILO, Geneva, 2003

According to a statement by the Amadeus global distribution system, SARS and the Middle East conflict contributed to a 32 per cent decline in Asia-Pacific bookings in the second quarter 2003 compared to the same period in 2002.

Expectations on the Region's tourism performance for the whole year 2003 are generally optimistic, though, since travel and tourism activities started swiftly to rebound in July 2003. Receipts from international tourism are not expected to be lower than in 2002, and 2004 should bring a growth rate of 3 or 4 per cent.

There are a number of examples showing that recovery was strong once SARS was contained. Intra-Asian air traffic as reflected in the bookings of the regional reservation system Abacus nearly doubled between mid-May and mid-July, with an 18 per cent increase over the same month in 2002. In general, Abacus travel bookings (not only air travel) in mid-July were running between 10 and 20 per cent above the level of the same period in 2002.

Domestic tourism has generally benefited from the decline of international tourism occurring in the second quarter 2003. In mid-July, travel bookings inside Indonesia were almost three-fold as compared to mid-July the year before.

There are voices, however, attributing the rebound to journeys being carried out which had previously been postponed, and assuming that the levels of growth experienced in July and August will not last. They expect a negative impact of about 5 per cent will remain for the year 2003 in more or less the whole Region and that full recovery can be expected in early 2004 only.

The more pessimistic views have some support from an official estimate of the impact of SARS on the total GDP published by the Asian Development Bank in May, with the assumption that SARS would last one quarter only (Table 6)

Table 6 Estimated impact of SARS on selected Asian Economies 2003: Reduction on annual GDP levels and GDP Growth

	East Asia	China	Hong Kong, China	Republic of Korea
Reduction on GDP (USD billion)	**-9.1**	-2.3	-3.0	-1.3
Reduction on GDP Growth(percentage points)	**-0.4**	-0.2	-1.8	-0.2

	Southeast Asia	Indonesia	Malaysia	Philippines	Singapore	Thailand
Reduction on GDP (USD billion)	**-3.2**	-0.7	-0.5	-0.2	-1.0	-0.8
Reduction on GDP Growth (percentage points)	**-0.5**	-0.5	-0.6	-0.3	-1.1	-0.7

Source: Asian Development Bank, May 2003

Trans-Pacific routes especially are lagging behind in terms of recovery. In spite of cutthroat deals on plane tickets, Trans-Pacific traffic in July for the major United States airlines was still down 13 per cent compared with the same month last year, which was a far larger drop than the system wide decrease of 2 per cent, although it was an improvement over the decline of about 40 per cent at the height of the SARS scare. Much of the explanation for this low lies in the stagnating Japanese economy.

Information concerning the impact of SARS on certain countries does not provide a common picture but shows considerable variation from one country to another. The positive growth figures are partly misleading, however, as they are based on the same period a year before, when the impact of the events of 11 September could still be felt, especially in the high tourism season of January and February.

Australia reported to the OECD[3] in May 2003 that its international visitor arrivals fell by 12 per cent in March, 13 per cent in April, and were expected to fall 25 per cent in May. The impact on employment was expected to be small, however, as only 3 per cent of employees were retrenched then.

The Tourism Forecasting Council expected inbound tourism into Australia to continue declining on an annual basis in 2003 by 5.3 per cent to 4.6 million visitor arrivals. In 2004, however, the Council foresees a strong recovery by 9.8 per cent to exceed the 5 million visitor line.

In China, total revenue from tourism, including domestic tourism and border crossing tourists, is expected to shrink by nearly half this year which corresponds to over 8,000 USD million. China had had two digit growth rates for incomes from international visitors during previous years. The loss is important enough not be compensated any more by the notable rebound in tourism since June-July. In China, business travel is recovering stronger than leisure tourism. A Shanghai hotel reported an increase of 25 per cent over July 2003, whilst leisure travellers were still less than the year before.

Some 1.3 million tourists visited Hong Kong, China, in July, almost 80 per cent more than in June but 5.6 per cent less if compared with the same month in 2002. Tourism in Hong Kong is not expected to recover to pre-SARS levels before 2004.

India, on the other hand, is better off. Having received 12.5 per cent more foreign tourists already in the first three months of 2003 and earned from them 15 per cent more foreign exchange, a mere 5 per cent rise in tourist arrivals in April and a dip to 0.2 per cent in May need not dampen India's hopes, especially as the peak season won’t start until November.

In Indonesia, foreign tourist arrivals already declined 1 per cent in the first quarter of 2003 compared to the same period in 2002. The reason is a lasting impact of the bombing in Bali in October 2002, which also made it impossible for the government to isolate the impact of SARS on the tourism industry. Due to the SARS outbreak, however, Indonesia had to adjust

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[3] Organization for Economic Co-operation and Development (OECD), Special Session of the Tourism Committee, Paris, 10 July 2003: *Country replies to the questionnaire on recent exogenous factors (war, terrorism, SARS) having significant impact on tourism and response measures*, Document DSTI/DOT/TOU(2003)2

its target of international visitors in 2003 by minus 6.3 per cent from 4.8 million to 4.5 million and has high expectations for 2004 (7 per cent).

Japan reported to the OECD that travel reservations had been high in January and February 2003, exceeding previous year's results by 124 and 112 per cent, respectively. From April to June, however, reservations were down to below the previous year's results by 63 per cent (April), 50 per cent (May) and 63 per cent (June).

The Republic of Korea reported that international arrivals decreased 10 per cent in March and 28.6 per cent in April. Employment in tourism decreased 5-10 per cent over the two months of March and April 2003.

Malaysia recorded a growth of arrivals of 28.3 and 1.7 per cent, respectively, in January and February 2003. However, foreign tourist arrivals to Malaysia registered a steep decline in March and April by 35.6 and 58.6 per cent, respectively, which made the period from January to April end with a decline of 20.3 per cent as compared to the same period a year before. Tourist arrivals from Australia dropped by 40.3 per cent, from Hong Kong, China, by 43.9 per cent, and from Japan by 24 per cent. Arrivals from Europe and the USA dropped at similar rates.

Domestic travel activities in Malaysia declined even further, as the domestic passenger load of the national air company fell to around 50 per cent in May 2003. Hotel occupancy rates recorded a slump of close to 20 per cent in April and were down to 42 per cent which compares to the already low hotel occupancy rates of 62 and 63 per cent, respectively, the same months a year earlier.

Nepal recorded strong growth in July 2003 of foreign tourist arrivals from most markets of about 20 per cent as compared to the same time in 2002, with the exceptions of the UK and Germany. A strong market for Nepal is India from where no less than 41 per cent more tourists crossed the border. However, the growth is mainly a recovery from heavy losses Nepal had to take since 2001 due to political instability.

In New Zealand, the total arrival of foreign visitors was down only 4 per cent in the period March to June 2003, but visits from Asia specifically were down 27 per cent in the period.

In Thailand, the impact of SARS on tourism was less severe than it could have been as the epidemic fell in the low season. A growth of international tourist arrivals by 5 per cent over 2002 - bringing a total of 11.34 million visitors - was expected for the year 2003. Thailand had to adjust its outlook by minus 10.5 per cent to 9.7 million expected visitors, especially as 20 per cent of its tourists used to come from the worst-affected areas, such as China, Hong Kong, China, Taiwan, China, and Singapore. The anticipated loss in foreign tourism revenues was 1.25 USD billion.

Viet Nam welcomed 1.2 million foreign visitors in the first seven months of this year, but only 43.7 per cent of the target of 2.7 million for 2003. The number is down from 2002, when 80.5 per cent of the target was accomplished during the same period. Foreign visitors increased, however, by as high as 44 per cent from June to August 2003, totalling 153,530 foreign arrivals. Although arrivals from the USA and Japan jumped by 124 per cent from June to August, their absolute number was still below last year's. Notwithstanding, a total of 2.2 million arrivals may be achieved in 2003, which would be almost 20 per cent less than initially expected.

Employment

The impact of the tourism crisis on employment is not as direct as is the impact on income, although the development of the industry's GDP is the most important factor determining employment volume, at least in the short run. A similarly important role in the short run could be played only by shifts in labour legislation or collective bargaining. Autonomous changes in the structure of the labour market, however, would take more time.

As was shown in previously published ILO papers,[4] employment is normally reduced after a certain time lag but suffers disproportionately more the longer the crisis lasts. It seems that this rule of thumb is materializing in the course of the current crisis in the travel and tourism industry in Asia and the Pacific.

The information presented in this paper suggests that due to the impact of SARS and other adverse factors, the GDP of the tourism industry in the Asia-Pacific Region will more or less stagnate in 2003. Under this assumption, direct employment will suffer in 2003 from GDP not growing by the rate required to keep direct employment stable. Employment will therefore shrink.

Table 7 shows an assessment of the development of GDP and direct employment for 2003 before and after SARS. It first shows a forecast made by the World Travel and Tourism Council (WTTC) at a stage before the impact of SARS could be assessed (published in April 2003). Second, it shows an adjusted forecast which takes into account that the industry's GDP will stagnate in 2003, i.e. the growth forecasted earlier will not materialize.

The total loss of direct jobs in the Region will be 2.8 million. It should be noted, however, that over one million jobs will be lost in each of the two largest countries: China and India, and the remaining 682,000 represents employment losses among the other countries of the Region together.

The new employment forecast is calculated under the assumption that the proportion between the respective growth rates of GDP and employment used in the first forecast can be maintained for the new forecast and only the growth rate of GDP has changed. The additional income for the industry forecasted earlier will therefore be missing. The following formula is therefore used: the earlier employment forecast multiplied with the new GDP forecast expressed as percentage of the old GDP forecast. For the Region's total, the following figures are entered: 38,718*100/108.2= 35,784. The number of jobs missing is the difference between the estimate of employment for 2002 and the new forecast for 2003.

[4] *The impact of the 2001-2002 crisis on the hotel and tourism industry*, January 2003; *New threats to employment in the travel and tourism industry – 2003*, May 2003

Table 7 Employment and GDP in the travel and tourism industry of Asia and the Pacific 2003: Forecasted before and after SARS
(thousand jobs), (billion USD), (per cent)

	Estimates 2002		Old forecast 2003				New Forecast 2003: stagnating GDP		
	GDP 2002	Jobs 2002	GDP 2003	GDP growth 2003/02	Jobs 2003	Jobs growth 2003/02	Jobs 2003	Jobs lost 2003	Jobs growth 2003/02
Australia	39	506	40	3.8	499	-1.4	481	-25	-5.0
Bangladesh	38	735	41	7.2	739	0.6	690	-45	-6.1
China	253	14'093	274	8.0	14'028	-0.5	12'991	-1'102	-7.8
Fiji	5	37	5	7.7	38	3.0	35	-2	-4.4
Hong Kong, China	23	70	24	5.8	73	3.3	69	-2	-2.4
India	474	10'989	529	11.7	11'093	1.0	9'932	-1'056	-9.6
Indonesia	62	2'811	69	12.1	2'854	1.5	2'546	-264	-9.4
Islamic Republic of Iran	26	656	30	14.8	677	3.2	590	-67	-10.2
Japan	175	2'673	174	-0.5	2'674	0.0	2'687	14	0.5
Republic of Korea	11	576	11	4.1	570	-1.1	547	-29	-5.0
Laos	7	64	7	12.8	65	1.6	58	-6	-10.0
Macau, China	2	27	2	0.0	27	0.0	27	0	0.0
Malaysia	14	362	15	7.0	372	2.8	348	-14	-3.9
Maldives	2	32	3	6.3	32	1.3	30	-1	-4.7
Nepal	15	263	17	7.4	264	0.2	245	-18	-6.7
New Zealand	7	128	8	4.7	129	1.3	123	-4	-3.2
Pakistan	71	757	78	9.0	765	1.1	702	-55	-7.3
Papua New Guinea	5	74	5	10.0	76	3.1	69	-5	-6.3
Philippines	11	897	12	6.0	887	-1.2	837	-61	-6.7
Singapore	4	46	4	-0.5	43	-6.3	43	-3	-5.9
Sri Lanka	45	199	49	9.0	204	2.6	187	-12	-5.9
Taiwan, China	13	171	13	0.3	166	-3.0	165	-6	-3.3
Thailand	29	1'383	31	5.8	1'358	-1.8	1'284	-99	-7.2
Viet Nam	10	524	11	7.7	517	-1.4	480	-44	-8.5
Other Oceania	2	58	2	8.7	60	2.6	55	-3	-5.6
Totals[a]	**1'360**	**38'625**	**1'472**	**8.2**	**38'718**	**0.2**	**35'784**	**-2'841**	**-7.4**
Of which									
China+India	727	25'082	803	10.4	25'121	0.2	22'923	-2'159	-8.6
All Others	633	13'543	669	5.8	13'597	0.4	12'861	-682	-5.0

[a] calculated on unrounded data

Source of basic data: *Country Reports*, World Travel and Tourism Council, 2003

Table 8 shows the development of estimated numbers of jobs since 2001 and the corresponding development of GDP in the travel and tourism industry if Asia and the Pacific.

Table 8 Estimated employment and GDP in travel and tourism in Asia and the Pacific 2000 - 20002
(thousand jobs), (billion USD), (per cent)

	GDP 2000	Jobs 2000	GDP 2001	GDP growth 2001/00	Jobs 2001	Jobs growth 2001/00	GDP 2002	GDP growth 2002/01	Emp. 2002	Jobs growth 2002/01
Australia	37	521	38	4.6	522	0.1	39	1.3	506	-3.0
Bangladesh	36	782	36	1.5	759	-3.0	38	6.1	735	-3.2
China	236	15'009	243	3.0	14'527	-3.2	253	4.3	14'093	-3.0
Fiji	5	47	5	-4.7	40	-13.1	5	-2.7	37	-8.4
Hong Kong, China	28	85	25	-10.7	77	-9.5	23	-6.8	70	-8.1
India	431	11'239	452	4.9	11'088	-1.3	474	4.9	10'989	-0.9
Indonesia	54	3'098	60	11.6	3'074	-0.8	62	2.1	2'811	-8.6
Islamic Republic of Iran	23	667	24	5.4	650	-2.6	26	9.7	656	1.0
Japan	176	2'605	175	-0.2	2'641	1.4	175	-0.4	2'673	1.2
Republic of Korea	11	601	11	1.1	590	-1.8	11	1.8	576	-2.4
Laos	6	81	6	-0.7	71	-12.1	7	7.6	64	-10.0
Macau, China	2	31	2	-7.3	29	-6.5	2	-7.2	27	-8.3
Malaysia	16	400	15	-6.7	386	-3.6	14	-2.5	362	-6.0
Maldives	3	36	2	-10.3	31	-13.1	2	1.8	32	1.6
Nepal	16	306	15	-5.2	275	-10.1	15	3.0	263	-4.2
New Zealand	7	136	7	-1.9	128	-5.9	7	1.2	128	-0.6
Pakistan	73	881	75	2.8	797	-9.5	71	-4.7	757	-5.0
Papua New Guinea	4	76	4	1.1	72	-4.9	5	9.3	74	2.2
Philippines	108	986	111	2.9	951	-3.6	11	-90.1	897	-5.6
Singapore	5	57	5	-8.2	55	-2.5	4	-9.8	46	-17.0
Sri Lanka	35	179	43	23.0	201	12.6	45	2.5	199	-1.1
Taiwan, China	14	190	13	-4.4	182	-4.0	13	-4.3	171	-6.3
Thailand	32	1'562	30	-5.2	1'484	-5.0	29	-2.9	1'383	-6.9
Viet Nam	10	578	10	0.4	536	-7.1	10	4.8	524	-2.3
Other Oceania	2	56	2	7.6	57	2.0	2	8.0	58	1.7
Totals[a]	**1'383**	**40'756**	**1'427**	3.2	**39'734**	**-2.5**	**1'360**	-4.7	**38'625**	**-2.8**
Of which										
China+India	667	26'248	695	4.2	25'616	-2.4	727	4.7	25'082	-2.1
All Others	716	14'508	732	2.2	14'118	-2.7	633	-13.6	13'543	-4.1

[a] calculated on unrounded data

Source of basic data: *Country Reports*, World Travel and Tourism Council, 2003

The number of direct jobs declined in both 2001 and 2002. The loss was estimated by the WTTC to be 2.1 million jobs. Together with the 2.8 million jobs lost in 2003, the two figures add up to almost 5 million jobs lost in the Region since 2001. In relation to the total number of direct jobs in the industry in 2000, which amounted to 40.752 million, the total loss since 2001 represents 12.2 per cent. In other words, every eighth worker of those who worked in the industry in 2000 will have left by the end of 2003. It should be kept in mind, however, that the statistical number of jobs does not represent an equal number of persons, but many more will have suffered a partial loss of working opportunities and income.

It should also not be forgotten that before 2000 and since the financial crisis of the Asia-Pacific Region in 1997-1998, employment in the travel and tourism industry had already stagnated. The same number of jobs was available in 1998 as in 2000. The industry has therefore not been creating new jobs for five years now. Creating employment is an expectation generally attached to the tourism industry. It would be difficult to deny that according to the information available, that expectation has not been fulfilled for some time now.

Measures taken to mitigate the crisis

A number of countries have taken early measures to mitigate the negative impact of the crisis on their tourism industry and in some cases also to prevent future crises. The measures taken can be divided into three broad categories: (1) helping the industry overcome the crisis; (2) marketing and promotion campaigns on international markets but also addressing domestic tourism; and (3) creating or strengthening institutions for early response to possible future crises.

(1) Measures to help the industry survive and overcome the crisis were based on early information on the development of SARS and the related situation of the industry through enquiries with key representatives of the industry and dissemination of the knowledge acquired. The need for precise and early information was widely recognized as a means to prevent decisions with disproportionate effects to be taken by entrepreneurs as well as consumers. The value of an active information policy was also recognized as a counterweight to warnings, partly from official sources, which were considered exaggerated and harmful as they deterred potential customers and also increased the costs of travelling due to increased insurance premiums. Regional bodies like the Asia Pacific Economic Cooperation (APEC) and the Pacific Asia Tourism Association (PATA) likewise endeavoured to be useful to their members as sources of information.

Financial support was extended to enterprises, in particular small and medium-sized enterprises, by a few governments through the easing of conditions to take loans or stretch returning conditions and through temporary tax relief.

(2) Generally, the countries affected by the crisis invested considerably in marketing and promotion campaigns which otherwise would have been deployed over a longer time frame or with a lower budget. Those campaigns were increasingly geared not only towards the main markets of Europe, Japan and the United States, but also to neighbouring countries within the Region and to the domestic tourism market.

Special discounts of 50 per cent or more were offered to fill under-occupied hotels or air planes. New marketing campaigns also were an opportunity to diversify the tourism product by highlighting the natural inland resources of the country in addition to traditional tourism areas such as beaches and cities. Nepal opened more mountain areas for tourism and eased access formalities. A number of governments also decided to ease visa restrictions and waive visa fees for certain groups of visitors. China, for example, announced that Japanese tourists would be allowed to visit the mainland without visas. Last month, China issued visa exemptions for tourists from

Singapore and Brunei, allowing them to stay for up to 15 days. The organization of special events with known artists was the way Hong Kong has been trying to attract foreign visitors.

(3) Most, if not all countries, relied on action by their tourism ministries in cooperation with permanent tourism boards made up of representatives of the different sections of the tourism industry and other public institutions from government or academia.

Social bodies or task forces were created in some cases to address the crisis, invariably with a view to strengthen private-public partnership. This, however, had already been common to some extent due to the nature of the industry, which gives value to public assets and benefits a very wide range of stakeholders. The only known case of a tripartite body handling the crisis and strongly addressing problems of employment is Singapore. In the other countries, individual employers seem to have been left to take measures such as recommending that employees take anticipated leave, unpaid leave or work fewer hours. It should, however, not be forgotten that support to enterprises, as previously noted, helped save jobs.